

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00

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FM USMISSION EC BRUSSELS

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LIMITED OFFICIAL USE EC BRUSSELS 2409

DEPARTMENT PASS AGRICULTURE, TREASURY AND STR

E.O. 11652: N/A

TAGS: EAGR, ETRD, EEC

SUBJECT: GRAIN DISCUSSIONS WITH THE EC

REF: EC BRUSSELS 2076

1. BEGIN SUMMARY: MARCH 18 DUSCISSIONS BETWEEN US AND EC COMMISSION OFFICIALS ON THE CONTENT AND PROCEDURE OF FUTURE GRAIN DISCUSSIONS CONSTITUTED A USEFUL EXCHANGE OF VIEWS AND EFFORT AT COMPROMISE, BUT IN THE END THERE WAS NO AGREEMENT ON HOW TO PROCEED. THE US SIDE CALLED FOR SBSTANTIVE NEGOTIATIONS ON RESERVES AT LONDON WHEREAS THE EC SIDE MAINTAINED THAT THE GRAIN DISCUSSIONS MUST BEGIN AT GENEVA. RABOT SAID HE WOULD BE IN TOUCH WITH MEMBER STATES TO SEE IF HE HAD MORE FLEXIBILITY ON THIS POINT AND SUGGESTED THAT THE US AND EC DELEGATIONS IN GENEVA MEET IN ADVANCE OF THE MARCH 24 AGRICULTURE CMMITTEE MEETING TO SEE IF FURTHER PROGRESS WERE POSSIBLE. END SUMMARY.

2. ON MARCH 18 ASSITANT SECRETARY ENDERS, DEPUTY ASSISTANT SECRETARY BELL, FEKETEKUTY FROM STR, RYSS FROM TREASURY AND AMBASSADOR
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GREENWALD MET WITH HIJZEN, COMMISSION DEPUTY DIRECTOR

GENERAL FOR EXTERNAL RELATIONS, RABOT, DIRECTOR GENERAL FOR AGRICULTURE, AND OTHER COMMISSION OFFICIALS T DISCUSS THE NATURE OF FUTURE GRAIN NEGOTIATIONS AND THE PROCEDURE FOR CARRYING THEM OUT.

3. ENDERS OUTLINED THE OPTIONS THE US GOVERNMENT IS LOOKING AT. IN THE US VIEWS, A RESERVES AGREEMENT WOULD REQUIRE PARTICIPANTS TO HOLD RESERVES ABOVE THE PIPELINE QUANTITIES NEEDED FOR COMMERCIAL TRANSACTIONS THROUGH THE END OF THE CROP YEAR. RESERVES WOULD BE USED TO MEET SHORT-FALLS IN ANNUAL PRODUCTION WHICH, BASED ON THE HISTORY OF THE PAST TEN YEARS, MIGHT BE EXPECTED TO OCCUR IN THE FUTURE. DECISIONS WOULD BE REQUIRED ON THE SIZE OF A GLOBAL TARGET, THE PROPORTIONATE SHARE ALLOCATED TO PARTICIPANTS, AND THE TIMING AND THE METHOD FOR ACCUMULATING AND RELEASING RESERVES. THE US BELIEVES THAT AQUANTITATIVE INDICATORS RATHER THAN PRICES SHOULD BE THE TRIGGER FOR THE RELEASE OR ACCUMULATION OF STOCKS. THE US RECOGNIZES THAT EVENTUALLY SOME CONNECTION AND ACCOUNTING WOULD BE REQUIRED VIS-A-VIS MTN NEGOTIATIONS.

4. RABOT OUTLINED THE COMMISSION'S VIEW THAT A STOCKPILE WOULD NEED TO FILL TWO FUNCTIONS: (1) TO ESTABLISH FOOD SECURITY; AND (2) TO STABLIZE MARKETS. IN THEIR VIEW THE TWO FUNCTIONS CANNOT BE SEPARATED. THE COMMISSION ASKED A NUMBER OF QUESTIONS ABOUT THE US IDEA OF USING QUANTITATIVE INDICATROS TO TRIGGER STOCKING AND DE-STOCKING. THEY DID NOT PUT FORWARD A PRECISE POSTION, BUT THEY DID EMPHASIZE THAT PRICES WOULD HAVE AN IMPORTANT ROLE TO PLAY.

5. THE PRINCIPAL SUBSTANTIVE DISCUSSION BETWEEN THE TWO DELEGATIONS WAS ON WHETHER THE TRIGGERING MECHANISM FOR ACQUISITION OF STOCKS OR SELLING FROM THE STOCKPILE SHOULD BE A QUQNTITATIVE TRIGGER (US POSITION) OR PRICE TRIGGER (MORE OR LESS THE COMMUNITY POSITION). THE US POINTED TO THE FACT THAT THE PRICE ASPECT OF THE OLD WHEAT AGREEMENT LED T ITS BREAKDOWN WHEREAS THE COMMUNITY FELT THAT PRICE BANDS REENFORCED BY A STOCKPILING AGREEMENT WOULD BE AN EFFECTIVE WAY TO DEAL WITH THE PROBLEM.

6. DEPUTY ASSISTANT SECRETARY BELL SAID IT WAS THE USDA LIMITED OFFICIAL USE

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VIEW THAT THE MECHANISM FOR HANDLING SHORT SUPPLY SITUATIONS AND SURPLUS SITUATIONS NEED NOT BE SYMMETRICAL AND THAT THE MAIN EMPHASIS SHOULD BE ON DEALING WITH A SHORT SUPPLY SITUATION.

7. THE GROUP THEN TURNED TO A DISCUSSION OF PROCEDURE. THE COMMISSION'S VIEWS REMAINED SIMILAR TO THOSE REPORTED IN REFTEL. HIJZEN AND RABOT STARTED THE DISCUSSION BY STATING IT WAS NECESSARY TO BEGIN TALKS ON CEREALS IN GENEVA SS SOON

AS POSSIBLE. THEY GAVE A NUMBER OF REASONS FOR THIS POSITION:

(A) IT HAD BEEN AGREED IN THE COMMUNITY'S NEGOTIATION GUIDELINES; (B) THERE WAS A GREAT DEAL OF SUSPICION OF THE COMMISSION BY THE MEMBER STATES BECAUSE OF THE HISTORY OF THIS ISSUE; (C) IT WOULD BE DIFFICULT TO AVOID GRAIN NEGOTIATIONS AT GENEVA BECAUSE OF THE HISTORY OF PRESSURE BY THE UNITED STATES AND OTHER COUNTRIES FOR MTN PROGRESS IN AGRICULTURE; (D) IT WILL BE NECESSARY TO HAVE AN ACCOUNTING IN THE MTN. HIJZEN ADDED THAT IT WOULD BE DIFFICULT TO AVOID CREATION OF A GRAINS GROUP AFTER OTHER COUNTRIES INSIST ON THE THE CREATION OF DAIRY, MEAT, AND PERHAPS OTHER COMMODITY GROUPS. ENDERS RESPONDED THAT THE US FEELS THAT FOOD SECURITY NEEDS TO BE NEGOTIATED SOON WHEREAS THE MTN NEGOTIATIONS WILL TAKE SEVERAL YEARS. LONDON TALKS ALLOW FOR THE POSSIBILITY OF PARTICIPATION BY THE SOVIET UNION; THE LONDON TALKS ARE ALREADY UNDER WAY; AND THESE CAN BE TIRED IN WITH MTN AT A SUBSEQUENT TIME. RABOT SAID THAT IF A GRAINS SUB-GROUP COULD BEGIN WORK AT GENEVA, HE WOULD NOT OBJECT TO CONTINUING THE WORK IN LONDON. AT ONE POINT, HIJZEN SUGGESTED THAT THERE COULD BE A GRAINS GROUP CREATED AT GENEVA WHICH WOULD THEN COMMISSION LONDON TO DO SPECIFIC KINDS OF NEGOTIATIONS.

8. AT THE END OF THE DISCUSSION, RABOT SAID THAT HE DID NOT AT THE MOMENT SEE A WAY TO SOLVE THE PROBLEM POSED BY THE PROCEDURAL DIVERGENCES BETWEEN THE TWO DIES. HE SUGGESTED THAT THE US AND COMMUNITY DELEGATIONS MEET BEFORE THE MARCH 24 SESSION OF THE GATT AGRICULTURE COMMITTEE TO SEE IF PROGRESS WERE POSSIBLE. (RABOT OR PIZZUTI WILL PROBABLY LEAD THE EC SIDE.) SUBSEQUENT TO THE FORMAL MEETING, RABOR PRIVATELY TOLD ENDERS THAT HE WOULD BE IN TOUCH WITH MEMBER STATES TO SEE IF FURTHER FLEXIBILITY WERE POSSIBLE. ONE SUGGESTION THAT OCCURRED TO HIM WOULD BE THAT GENEVA WOULD AGREE TO THE COMMENCEMENT OF WORK IN LONDON WITH A REQUEST THAT LIMITED OFFICIAL USE

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LONDON PROPOSE A RESERVE SYSTEM, BUT THAT THIS PROPOSAL BE REFERRED BACK TO GENEVA "BEFORE IT WAS COMPLETED."

9. THIS MESSAGE WAS WRITTEN AFTER THE DEPARTURE OF ASSISTANT SECRETARY ENDERS.GREENWALD

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